GOVERNMENT OF INDIA
AGRICULTURE
LOK SABHA

STARRED QUESTION NO:262
ANSWERED ON:10.03.2003
AMENDMENT IN AGRICULTURAL PRODUCE MARKETING ACT
VINAY KUMAR SORAKE

Will the Minister of AGRICULTURE be pleased to state:

(a) whether the Government have plans to amend the Agricultural Produce Marketing Act to encourage contract farming in the country;

(b) if so, the details thereof;

(c) whether some States have already introduced the said system on experimental basis;

(d) if so, the details thereof, State-wise;

(e) whether the Government have considered the long term impact of contract farming system on small and marginal farmers; and

(f) if so, the details thereof?

Answer

MINISTER OF AGRICULTURE (SHRI AJIT SINGH)

(a) to (f): A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (f) OF LOK SABHA STARRED QUESTION NO.262 DUE FOR REPLY ON 10TH MARCH, 2003.

(a) to (f): Contract farming arrangements of different types have existed in various parts of the country for both subsistence and commercial crops. The commercial crops like sugarcane, cotton, tea, coffee etc. have always involved some forms of contract farming. Even in the case of some fruit crops and fisheries, contract farming arrangements, involving mainly the forward trading of commodities have been observed. In contract farming companies enter into contracts for marketing of the horticultural produce of the farmers and also provide inputs, technologies and capital to contract farmers. According to this, agreements are made between the farmer and the other parties and the latter contribute to the management of the farm through input supply as well as technical guidance and also markets the produce.

2. The present State Acts dealing with agricultural marketing viz Agricultural Produce Marketing (Regulation) Act (APMC Act) restrict the farmer from entering into direct marketing/contract with any processor/manufacturer/bulk purchaser as the produce is required to be canalized through regulated market. This system puts the farmer into a disadvantageous position as he has to sell his produce through a middleman who often takes away a large share in the price of the produce. An Inter-Ministerial Task Force constituted by this Ministry to suggest reforms in the agricultural marketing sector, in its report in May, 2002 has suggested, as a reform measure, promotion of direct marketing and contract farming in the country, by suitably amending the APMC Act.

3. The Task Force has also recommended that the APMC within whose jurisdiction the area covered by contract farming agreement lies, should record the contract farming agreements and act as a protector of producer`s and processor`s interests with due legal support in its jurisdiction.

4. In order to ascertain the views of the State Governments/UT Administrations, which are implementing the Agricultural Produce Marketing Regulation Act, the report of the Task Force was discussed in the National Conference on Agricultural Marketing Reforms held on 27th September, 2002. The Conference was attended by Ministers in-charge of Agricultural Marketing in the State Governments and UT Administrations, Central Government Departments and Autonomous Organisations dealing with Agricultural Marketing. There was a consensus among all the State Governments/UT Administrations on the need to promote contract farming arrangements to benefit the farming community. Since the subject falls within the purview of the State Governments, they were requested to go ahead with the implementation of the reform measure as suited to them. The Inter-Ministerial Task Force in its report considered the long term impact of contract farming system on small and marginal farmers and has observed that small farmers in India are generally capital starved and cannot make major investment in land improvement and modern inputs. Contract farming can fill up this gap by providing the farmers with quality inputs, technical guidance and management skills. Although the company deals only with the contract crop, the farmers` overall management skill may improve, thereby helping him to raise the yields of both contract and non-contract crops.